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Department of Justice

U.S. Attorney's Office

Eastern District of New York

FOR IMMEDIATE RELEASE

Thursday, August 1, 2013

Fund Manager And Real Estate Developer Arrested And Charged In \$96 Million Securities Fraud

Defendants Diverted Investor Funds To Purchase 'Panoramic View Resort & Residences' In Montauk, New York And Fund Lavish Lifestyles

A 24-count indictment was unsealed this morning in federal court in Central Islip, New York, charging Brian R. Callahan, an investment fund manager, and Adam J. Manson, a real estate developer, with conspiracy to commit securities and wire fraud for their roles in operating a \$96 million Ponzi scheme. Both defendants are in custody and will be arraigned this afternoon before United States Magistrate Judge A. Kathleen Tomlinson at the United States Courthouse in Central Islip. In addition, the government seized over \$1 million of alleged criminal proceeds and moved to forfeit the defendants' interest in the Panoramic View Resort & Residences in Montauk, New York (the "Panoramic View").

The charges were announced by Loretta E. Lynch, United States Attorney for the Eastern District of New York; George Venizelos, Assistant Director-in-Charge, Federal Bureau of Investigation, New York Field Office (FBI); and Toni Weirauch, Special Agent-in-Charge, United States Internal Revenue Service, Criminal Investigation, New York (IRS).

According to the indictment and other court filings, between December 2006 and February 2012, Callahan raised more than \$118 million from at least 40 investors in connection with four different investment funds that he managed. He had assured those investors that their money would be invested in mutual funds, hedge funds and other securities. Instead of investing the money as he promised, Callahan misappropriated approximately \$96 million and began to operate the investment funds as a large-scale Ponzi scheme. Among other things, Callahan diverted millions of dollars

Towards the Panoramic View, an unprofitable 117-unit beachfront resort and residence development in Montauk, New York, that he owned with his brother-in-law and co-defendant, Adam Manson. He also commingled the money from the various investment funds and used it to pay tens of millions of dollars in partial redemptions to his victim investors to keep the Ponzi scheme afloat, and to purchase luxury items such as expensive cars and homes in Old Westbury and Westhampton, New York. To avoid detection and continue the scheme, Callahan sent fake account statements to investors that falsely showed that their funds were invested and performing well, and he repeatedly lied to his investors about both the nature and status of their investments.

"As alleged, the defendants used one of Long Island's landmarks, the Panoramic View Resort, to perpetrate a wide-ranging fraud," stated United States Attorney Lynch. "Callahan gave his word that he would invest his clients' funds safely and responsibly in established vehicles. Instead, he simply stole the funds to prop up his partner's failing investment. To conceal their status as business failures, the defendants employed all the tricks in the typical con man's bag. They created fake documents, stole a person's identity and engaged in forgery. The defendants allegedly lied to the lender, they lied to the auditor, and Callahan repeatedly lied to his investors. The lies stop now. Today's arrests demonstrate the Office's commitment to aggressively prosecute those individuals who commit financial crimes." Ms. Lynch expressed her grateful appreciation to the Securities and Exchange Commission and the British Virgin Islands Financial Investigation Agency for their cooperation and assistance in the investigation.

FBI Assistant Director-in-Charge Venizelos stated, "Allegedly, Mr. Callahan and Mr. Manson violated the trust of their clients, stealing victims' hard earned money to perpetuate their fraud. Instead of investing the funds as promised, Mr. Callahan used the deposits to perpetuate the scheme, all while buying luxury cars and an estate in Westhampton. Mr. Callahan was so indiscriminant, he even stole from a Long Island Fire Department. Today, the game is up. The FBI will continue working to protect investors and stop alleged fraudsters.

IRS Special Agent-in-Charge Weirauch stated, "The architects of Ponzi-type schemes often employ a variety of sophisticated measures to keep them operating without detection. However, the cooperation between IRS-Criminal Investigation, the U.S. Attorney's Office, and the FBI should give the investing public confidence that such schemes will ultimately be uncovered and thoroughly investigated, and that the scammers will be prosecuted."

In one instance, Callahan allegedly solicited a \$600,000 investment from a Long Island-based fire department by promising to invest the fire department's money in mutual funds and other securities. Instead of investing the money, Callahan fraudulently diverted the fire department's funds to the Panoramic View, and sent bogus account statements to the fire department that falsely showed that the funds had been invested in mutual funds. Callahan also convinced a Maryland resident to invest approximately \$11 million after promising to invest those funds in low-risk securities. Callahan used the investor's money to make redemption payments to other investors whom he had previously defrauded and to keep the Ponzi scheme afloat.

According to the indictment, Manson managed the Panoramic View property and poured the money that Callahan had diverted from the investors into Manson's struggling real estate project at the Panoramic View. To help Callahan carry out his investment scheme, Manson lied to the independent auditor of Callahan's investment funds and, together with Callahan, provided fake documents, including bogus promissory notes and doctored balance sheets, to the independent

auditor. Manson's and Callahan's fraudulent actions concealed the misuse of the investors' funds and caused the auditor to overstate the value and profits of Callahan's investment funds to the victim investors. As a result of Manson and Callahan's fraudulent actions, investors were lulled into believing that the funds were performing, and they continued to "invest" their money with Callahan.

As alleged in the indictment, Manson also defrauded a New York-based lending institution that had loaned more than \$45 million to Manson in connection with his real estate development project at the Panoramic View. While attempting to extend these loans past their maturity date, Manson misled the lender about the money that the Panoramic View had received from Callahan's funds, and falsely told the lender that the funds were from his father. Manson engaged in this fraudulent conduct in an effort to conceal the fact that he was simultaneously telling the independent auditor of the Callahan funds that there were no other creditors or debt associated with the Panoramic View.

The charges contained in the indictment are merely allegations, and the defendants are presumed innocent unless and until proven guilty. If convicted, the defendants each face a maximum sentence of twenty years' imprisonment on each of the securities fraud, wire fraud and conspiracy to commit wire fraud counts, five years' imprisonment on the conspiracy to commit securities fraud count, and Callahan faces two years' imprisonment for each of the aggravated identity theft counts. Additionally, if convicted, Callahan and Manson may be fined up to \$5,000,000 for each of the securities fraud counts, \$250,000 for each of the wire fraud, conspiracy to commit wire fraud and conspiracy to commit securities fraud counts, and Callahan may be fined up to \$250,000 for each of the aggravated identity theft counts. In addition to seizing over \$1 million in alleged criminal proceeds, the government is also seeking to forfeit all Panoramic View cooperative units held by Callahan and Manson, together with Callahan's residence in Old Westbury, New York, and Manson's beachfront condominium in Westhampton, New York.

The government's case is being prosecuted by Assistant United States Attorneys David C. Woll, Jr., Christopher C. Caffarone, Brian D. Morris, and Karin Orenstein.

This prosecution was the result of efforts by President Barack Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. Attorneys' Offices, and state and local partners, it's the broadest coalition of law enforcement, investigatory, and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state, and local authorities; addressing discrimination in the lending and financial markets; and conducting outreach to the public, victims, financial institutions, and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants. For more information on the task force, visit <http://www.StopFraud.gov>.

The Defendants:

BRIAN R. CALLAHAN

Age: 43

Old Westbury, New York

ADAM J. MANSON

Age: 41

Old Westbury, New York

Component(s):

USAO - New York, Eastern

Updated July 2, 2015

U.S. Attorney's Office
Eastern District of New York
(718) 254-7000

April 28, 2014

Investment Fund Manager Pleads Guilty in \$96 Million Ponzi Scheme

Earlier today, Brian R. Callahan, 44, pleaded guilty to one count of securities fraud and one count of wire fraud for operating a \$96 million Ponzi scheme through his various offshore investment funds. Pursuant to his plea agreement with the government, Callahan has agreed to the forfeiture of \$67.4 million, which includes proceeds from the sale of his former residence in Old Westbury, New York and a beachfront condominium in Westhampton, New York. When sentenced, Callahan faces up to 40 years in prison and the payment of approximately \$96 million in restitution to the victims of his fraud.

The guilty plea was announced by Loretta E. Lynch, United States Attorney for the Eastern District of New York; George Venizelos, Assistant Director in Charge, Federal Bureau of Investigation, New York Field Office (FBI); and Shantelle P. Kitchen, Acting Special Agent in Charge, United States Internal Revenue Service, Criminal Investigation, New York (IRS).

"Callahan used six offshore entities to perpetrate one of the largest investment frauds in Long Island history. Through lies and deceit, he misled investors and stole investor funds, including investments from a local fire department, to support a lavish lifestyle and operate a multi-million-dollar Ponzi scheme. Today's guilty plea marks the end of Callahan's schemes and his lavish lifestyle and demonstrates this office's steadfast commitment to protect the investing public from fraud," stated United States Attorney Lynch. Ms. Lynch expressed her grateful appreciation to the FBI, the IRS, Securities and Exchange Commission, and the British Virgin Islands Financial Investigation Agency for their cooperation and assistance in the investigation and prosecution of this case.

According to court filings and facts presented at the plea hearing, between December 2006 and February 2012, Callahan raised more than \$118 million from at least 40 investors in connection with four different investment funds that he managed. He had assured those investors that their money would be invested in mutual funds, hedge funds, and other securities. Instead of investing the money as he promised, Callahan misappropriated approximately \$96 million and began to operate the investment funds as a large-scale Ponzi scheme. Among other things, Callahan diverted millions of dollars towards the Panoramic View, an unprofitable 117-unit beachfront resort and residence development in Montauk, New York, that he owned with his brother-in-law and co-defendant, Adam Manson.¹ He also commingled the money from the various investment funds and used it to pay tens of millions of dollars in partial redemptions to his victim investors to keep the Ponzi scheme afloat, and to purchase luxury items such as expensive cars and homes in Old Westbury and Westhampton, New York. To avoid detection and continue the scheme, Callahan sent fake account statements to investors that falsely showed that their funds were invested and performing well, and he repeatedly lied to his investors about both the nature and status of their investments.

Today's guilty plea took place before United States Magistrate Judge A. Kathleen Tomlinson.

The government's case is being prosecuted by Assistant United States Attorneys Christopher C. Caffarone, Winston M. Paes, Brian D. Morris and Karin K. Orenstein.

Today's announcement is part of efforts underway by President Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated, and proactive effort to

investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' offices, and state and local partners, it is the broadest coalition of law enforcement, investigatory, and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state, and local authorities; addressing discrimination in the lending and financial markets; and conducting outreach to the public, victims, financial institutions, and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,900 mortgage fraud defendants. For more information on the task force, visit www.stopfraud.gov (<http://www.stopfraud.gov/>).

The Defendant:

BRIAN R. CALLAHAN

Age: 44 Old Westbury, New York

E.D.N.Y. Docket No. 13-CR-453

¹ *The charges against co-defendant Manson are merely allegations, and he is presumed innocent unless and until proven guilty.*

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EASTERN DISTRICT *of* NEW YORK

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Department of Justice

U.S. Attorney's Office

Eastern District of New York

FOR IMMEDIATE RELEASE

Monday, May 12, 2014

Long Island Real Estate Manager Pleads Guilty In \$96 Million Ponzi Scheme

Investor Funds Diverted To Purchase 'Panoramic View Resort & Residences' In Montauk, New York

Earlier today, Adam J. Manson, 42, pleaded guilty to conspiracy to commit securities fraud for engaging in a \$96 million Ponzi scheme with co-defendant and former investment fund manager Brian R. Callahan. Pursuant to his plea agreement with the government, Manson has agreed to forfeit all unsold units at the Panoramic View beachfront resort and residence development in Montauk, New York, valued in excess of \$60 million, and an additional \$3.9 million in criminal proceeds. When sentenced on October 3, 2014, Manson faces up to five years in prison and the payment of approximately \$96 million in restitution to the victims of his fraud. Callahan pleaded guilty on April 29, 2014, to one count of securities fraud and one count of wire fraud and faces up to 40 years in prison when sentenced on August 8, 2014.

The guilty pleas were announced by Loretta E. Lynch, United States Attorney for the Eastern District of New York; George Venizelos, Assistant Director-in-Charge, Federal Bureau of Investigation, New York Field Office (FBI); and Shantelle P. Kitchen, Acting Special Agent-in-Charge, United States Internal Revenue Service-Criminal Investigation, New York (IRS).

"Adam Manson assisted his brother-in-law Brian Callahan in orchestrating one of the largest Ponzi schemes in Long Island history by lying to independent auditors and lending institutions. Today's guilty plea, together with Callahan's guilty plea approximately two weeks ago, demonstrates this Office's dedication and commitment to aggressively pursue those who seek to defraud the investing public through lies and deceit. We hope that the guilty pleas provide some measure of relief and

closure to the defrauded investors," stated United States Attorney Lynch. Ms. Lynch expressed her grateful appreciation to the FBI, the IRS, Securities and Exchange Commission, and the British Virgin Islands Financial Investigation Agency for their cooperation and assistance in the investigation and prosecution of this case.

According to court filings and facts presented at the plea hearing, between December 2006 and February 2012, co-defendant Callahan raised more than \$118 million from at least 40 investors in connection with four different investment funds that he managed. Callahan had assured those investors that their money would be invested in mutual funds, hedge funds, and other securities. Instead of investing the money as he promised, Callahan misappropriated approximately \$96 million and began to operate the investment funds as a large-scale Ponzi scheme. Among other things, Callahan diverted millions of dollars towards the Panoramic View, an unprofitable 117-unit beachfront resort and residence development in Montauk, New York, which he owned with Manson. In furtherance of the scheme, Manson assisted Callahan in deceiving the independent auditors of the Callahan funds by submitting bogus promissory notes that overvalued the assets of the funds and by lying about the debts owed by the Panoramic View.

Today's guilty plea took place before United States Magistrate Judge A. Kathleen Tomlinson.

The government's case is being prosecuted by Assistant United States Attorneys Christopher C. Caffarone, Winston M. Paes, Brian D. Morris, and Karin K. Orenstein.

Today's announcement is part of efforts underway by President Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' offices, and state and local partners, it is the broadest coalition of law enforcement, investigatory, and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state, and local authorities; addressing discrimination in the lending and financial markets; and conducting outreach to the public, victims, financial institutions, and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,900 mortgage fraud defendants. For more information on the task force, visit www.stopfraud.gov.

The Defendant:

ADAM J. MANSON

Age: 42

Old Westbury, New York

E.D.N.Y. Docket No. 13-CR-453

Component(s):

USAO - New York, Eastern

Updated July 6, 2015